



BAKER TILLY

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June 21, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, SC 29210

RE: Baker Tilly Virchow Krause, LLP Report - Docket No. 2017-305-E, Order No. 2018-102 – Financial Impact Review of South Carolina Electric and Gas Under Scenarios Relative to the Base Load Review Act, S.C. Code 58-33-210

Dear Ms. Boyd:

This filing is the affidavit of Russell A. Hissom, CPA, Partner of Baker Tilly Virchow Krause, LLP regarding the report prepared by Baker Tilly titled *Docket No. 2017-305-E, Order No. 2018-102 – Financial Impact Review of South Carolina Electric and Gas Under Scenarios Relative to the Base Load Review Act, S.C. Code 58-33-210*.

You can reach me at 608 240 2361 or Russ.hissom@bakertilly.com if there are any questions. Thank you.

Sincerely,

Russell A. Hissom, CPA, Partner

Cc: Andrew Bateman, Office of Regulatory Staff



BEFORE
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2017-305-E, ORDER NO. 2018-102

RE: Baker Tilly Virchow Krause, LLP June 12, 2018 Report - Docket No. 2017-305-E, Order No. 2018-102 – Financial Impact Review of South Carolina Electric and Gas Under Scenarios Relative to the Base Load Review Act, S.C. Code 58-33-210

AFFIDAVIT OF RUSSELL HISSOM

Personally appeared before me, the undersigned, Russell Hissom, who being duly sworn states as follows:

1. I am Russell Hissom, a Partner with Baker Tilly Virchow Krause, LLP. I am a Certified Public Accountant (CPA) licensed in Wisconsin since 1987. I have a Bachelors of Business Administration degree in accounting from the University of Wisconsin – Milwaukee awarded in 1982. My experience includes working with electric utilities over the past 35 years in the areas of financial audits and application of accounting standards.
2. I oversaw the preparation of the June 12, 2018 Baker Tilly Virchow Krause, LLP Report - *Docket No. 2017-305-E, Order No. 2018-102 – Financial Impact Review of South Carolina Electric and Gas Under Scenarios Relative to the Base Load Review Act, S.C. Code 58-33-210*
3. Baker Tilly Virchow Krause, LLP was engaged by the South Carolina Office of Regulatory Staff (ORS) to independently evaluate the financial impacts of various scenarios on South Carolina Electric and Gas (SCE&G) financial statements.
4. These scenarios were approved to be evaluated by the South Carolina Public Service Commission (Commission) in Docket No. 2017-305-E, Order No. 2018-102.
5. The scenarios in Order No. 2018-102 included:
 1. Suspend annual collection of Revised Rates and do not credit ratepayers \$2 billion of previously collected revenues.
 2. Suspend annual collection of Revised Rates and credit ratepayers \$2 billion of previously collected revenues over a four-year term.

3. Assuming no construction work in progress (CWIP) recovery and no credit to ratepayers of \$2 billion of previously collected revenues.
 4. Assuming no CWIP recovery and a credit to ratepayers of \$2 billion of previously collected revenues over a four-year term.
 5. Assuming partial recovery of CWIP – Disallow CWIP back to each Revised Rates Date and no credit to ratepayers of \$2 billion of previously collected revenues.
 6. Assuming partial recovery of CWIP – Disallow CWIP back to each Revised Rates Date and a credit to ratepayers of \$2 billion of previously collected revenues over a four-year term.
 7. Assuming full recovery of CWIP and no credit to ratepayers of \$2 billion of previously collected revenues.
 8. Assuming full recovery of CWIP and a credit to ratepayers of \$2 billion of previously collected revenues over a four-year term.
6. The accounting principles included in our analysis in connection with the scenarios examined include those of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) relevant to this matter. This is the authoritative guidance followed by SCE&G. ASC 980 – *Regulated Operations* is the guidance followed in the utility industry and relevant to this matter.
 7. In each scenario in the report, the relevant guidance from the accounting standards of FASB is provided as supporting evidence to the conclusions we reached.
 8. Source information used in our analysis included public filings of the Commission and of SCE&G, including SCANA's 10 – K filing as of and for the year ended December 31, 2017 and SCE&G's FERC Form 1 regulatory filing for the year ended December 31, 2017 filed and dated May 18, 2018.
 9. Our analysis was prepared net of any income tax effects.
 10. Our engagement and reporting was conducted in accordance with Statement on Auditing Standards No. 122 Section 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*.
 11. The ultimate responsibility for the decision on the appropriate application of the requirements of accounting principles generally accepted in the United States of America for an actual transaction rests with the preparers of financial statements, who should consult with their continuing accountant.

12. Our conclusion on the appropriate application of the requirements of accounting principles generally accepted in the United States of America for the described specific transaction is based solely on the facts provided to us as previously described; should these facts and circumstances differ, our conclusion may change. Our report sets forth the opinions and conclusions of Baker Tilly Virchow Krause, LLP in regards to the matter.
13. SCE&G has testified to the Commission that eliminating the Revised Rates will cause great financial harm to the company, with a possibility of SCANA (the parent company) and/or SCE&G having to file for bankruptcy. It is our opinion that our analysis cannot determine the likelihood of a potential bankruptcy filing by SCANA or SCE&G and our report provides no opinion on the matter.

Russell A. Hissom

Russell A. Hissom

SWORN to BEFORE me the 21st day of June, 2018

Patricia McNeill

Notary Public for State of Wisconsin
My Commission Expires: August 4, 2019

PATRICIA MCNEILL
Notary Public, State of Wisconsin
MY COMMISSION EXPIRES AUG 4, 2019